

I.

Background

A.

Transmittal No. 06-02

1.

RSP Pilot Program

By its transmittal, KIUC seeks to implement Schedule RSP, its proposed, voluntary three-year RSP Pilot Program, limited to one-hundred residential customers for each year of the pilot program who apply for and are selected by KIUC to participate in the pilot program.²

Under the terms of the RSP Pilot Program:

1. KIUC will install a utility-owned meter base surge protector at the service box that "provides service entrance protection to primarily home appliances (e.g., refrigerators and stoves) that are not connected to the outside of the home by a separate non-electric utility wire (e.g., telephone and cable television connections)."³ Participants will be charged: (A) a one-time per meter, non-refundable installation fee of \$40

²Exhibit 2 of Transmittal No. 06-02 consists of KIUC's proposed Schedule RSP in clean and black-lined versions.

³KIUC's Transmittal No. 06-02, at 3. In other words:

The meter base surge protection device only guards against surges that enter the home through the electric utility service drop. If the surge originates from a source other than the utility service drop, such as through the telephone or cable television connection, the meter base protector will not protect the home's electric devices, as those surges will not have an opportunity to pass through the meter base surge protector.

KIUC's response to PUC-IR-106.

(excluding taxes) for the utility-owned meter base surge protector; and (B) a rental fee of \$5 per month, per meter (excluding taxes). No charge will be assessed for removing the meter base surge protector.

2. Participants will also have the option to purchase and own point of use surge protection devices to protect other equipment such as sensitive electronic devices (e.g., televisions and computers) from additional surges that originate from within the home through other sources such as telephone and cable television connections. Specifically, participants will have the option to purchase from KIUC the following surge protection devices: (A) multiple-outlet power strips for \$63 each; (B) a single outlet suppressor for \$14.99 each; and (C) a suppressor with phone jack for \$19.99 each.⁴ All amounts are exclusive of taxes and are non-refundable.

3. Participants must complete the pilot program's application form and agreement, and be duly selected by KIUC for

⁴KIUC notes that, in addition to certain protections specified in the manufacturer's limited warranty applicable to the surge protection devices:

. . . participating customers will also be afforded the same rights as any KIUC customer to file a compensation claim with KIUC for any loss, cost, damage or expense, pursuant to Rule No. 16 of KIUC Tariff No. 1. Specifically, Rule No. 16.E. of KIUC Tariff No. 1 states, in relevant part, that the "Company shall review every claim and compensate the customer for any loss, cost, damage or expense as determined by the Company to be within the Company's control."

KIUC's Transmittal No. 06-02, at 4 n.3.

each year of the three-year program;⁵ and will have the option of terminating their participation in the pilot program at any time, without penalty.

2.

KIUC's Position

KIUC states that the RSP Pilot Program is intended to provide its residential customers with: (1) educational information about the causes and solutions of power surges;⁶ and (2) surge protection devices to protect their home appliances and sensitive electronic equipment.

KIUC explains that the RSP Pilot Program is based on the perceived interest of residential customers who have experienced surge-related equipment damage in their homes. During the three-year pilot program period, KIUC intends to test its customers' acceptance of the program and assess the costs and benefits of the program. KIUC is not seeking to earn any profit from the program, as evidenced by the fact that KIUC is only seeking to recover from the participants KIUC's direct costs associated with the program, i.e., the estimated cost to install the meter base surge protector at the service box is \$40, and the surge protection devices will be sold at cost to the participants.

⁵The application form and agreement constitute Exhibit A of Schedule RSP.

⁶KIUC's sample educational brochure for interested residential customers is attached to its response to PUC-IR-101. See Attachment PUC-IR-101.

KIUC also confirms that the manufacturer's limited warranty for the surge protection devices purchased by the participants from KIUC will apply to said participants, i.e., the end-users of the product;⁷ thus, "once the surge protection device is placed in service, the performance of the device becomes the responsibility of the manufacturer[.]"⁸

Lastly, KIUC seeks to revise two provisions of its proposed tariff, for clarity purposes.⁹

B.

Consumer Advocate's Position

In its Statement of Position filed on February 26, 2007,¹⁰ the Consumer Advocate informs the commission that it does not object to the approval of KIUC's transmittal. Specifically, the Consumer Advocate states that:

1. The RSP Pilot Program is designed to meet a perceived or stated member-customer demand for improvements in protecting sensitive electronic devices and home appliances, and appears to reflect a trend by utilities in other jurisdictions to offer similar such programs. In addition, it allows customers to improve the quality of power received at their residences by simply installing the appropriate surge protectors at a cost that

⁷KIUC's response to PUC-IR-102; and Attachment PUC-IR-102.

⁸KIUC's response to PUC-IR-108.

⁹KIUC's responses to PUC-IR-103 and PUC-IR-107.

¹⁰Consumer Advocate's Statement of Position; and Certificate of Service, filed on February 26, 2007, with an Amended Certificate of Service, filed on March 5, 2007 (collectively, "Statement of Position").

is affordable in order to achieve a desired level of protection for electronic equipment.

2. Notwithstanding the lack of complete cost support for the RSP Pilot Program,¹¹ the products KIUC proposes to offer and sell to participants are also available from other sources, including retail stores. Thus, a customer can perform price comparisons for substitute products if the customer believes that the optional surge protection devices offered by KIUC under the terms of the RSP Pilot Program are unacceptable.

3. "The concept of increasing awareness regarding power quality issues and encouraging customers to take steps to protect their investments in home appliances and electronic devices is in the public interest."¹²

The Consumer Advocate concludes by recommending that KIUC make its surge protection educational information available to all of its member-customers, and not only the program's participants.

¹¹The Consumer Advocate specifically refers to the one-time per meter, non-refundable installation fee of \$40 for the utility-owned meter base surge protector: "No support was offered for the one-installation fees." Consumer Advocate's Statement of Position, at 4 n.10.

¹²Consumer Advocate's Statement of Position, at 7.

C.

KIUC's Reply

In its Reply Statement of Position filed on March 9, 2007,¹³ KIUC informs the commission that it does not object to the Consumer Advocate's recommendation, and in fact, intends to provide all of its member-customers with the surge protection educational information and "other general matters regarding electrical surges and what can be done to protect home appliances and sensitive electronic devices" via its monthly magazine and on its website.¹⁴ In addition, KIUC represents that it "has discussed this matter with the Consumer Advocate, and the Consumer Advocate has indicated that it does not object to KIUC's plan and has confirmed that KIUC's planned methods are consistent with [the Consumer Advocate's] stated recommendation."¹⁵

II.

Discussion

HRS § 269-16 states in relevant part:

Regulation of utility rates; ratemaking procedures. (a) All rates, fares, charges, classifications, schedules, rules, and practices made, charged, or observed by any public utility or by two or more public utilities jointly shall be just and reasonable and shall be filed with the public utilities commission. The rates, fares, classifications, charges, and rules of every

¹³KIUC's Reply Statement of Position; and Certificate of Service, filed on March 9, 2007 (collectively, "Reply").

¹⁴KIUC's Reply, at 2 - 3. KIUC explains that its monthly magazine is mailed to all of its member-customers, except those members who have opted out of receiving the magazine.

¹⁵KIUC's Reply, at 3.

public utility shall be published by the public utility in such manner as the public utilities commission may require, and copies shall be furnished to any person on request.

(b) No rate, fare, charge, classification, schedule, rule, or practice, other than one established pursuant to an automatic rate adjustment clause previously approved by the commission, shall be established, abandoned, modified, or departed from by any public utility, except after thirty days' notice to the commission as prescribed in section 269-12(b), and prior approval by the commission for any increases in rates, fares, or charges. . . .

HRS § 269-16. See also HAR § 6-61-111 (thirty-day notice for tariff filings by public utilities).

The purpose of the RSP Pilot Program is to provide customers with a multi-layer protection system that is designed to protect their residences and sensitive electronic equipment from surge related power issues.¹⁶ While KIUC recognizes that the RSP Pilot Program is a method for achieving some level of surge protection within a customer's residence, it is not foolproof.¹⁷

Nonetheless, the commission finds that the proposed optional, pilot program will provide KIUC with the opportunity to review and evaluate the merits of and level of participation in the RSP Pilot Program. Furthermore, KIUC proposes to sell the optional surge protection devices, with the manufacturer's limited warranty in effect, at cost to the participants, and as noted by the Consumer Advocate, participants will also have the option of purchasing surge protection devices from sources other than KIUC. With respect to the one-time \$40 fee to install the

¹⁶Attachment PUC-IR-101.

¹⁷KIUC's response to PUC-IR-108.

utility-owned meter base surge protector at the service box, KIUC represents that this amount is in fact the estimated installation cost.¹⁸

Under the circumstances, the commission will approve KIUC's transmittal, subject to the two revisions proposed by KIUC for clarity purposes.¹⁹ With these revisions, the commission concludes that KIUC's transmittal appears just, reasonable, and consistent with the public interest. As part of the RSP Pilot Program, KIUC shall provide all of its member-customers with the surge protection educational information and other general matters regarding electrical surges and what can be done to protect home appliances and sensitive electronic devices via its monthly magazine and on its website.

¹⁸KIUC's response to PUC-IR-103. While the Consumer Advocate notes the absence of cost support for this \$40 one-time installation fee (other than KIUC's representation), the commission finds that the amount of annual revenues anticipated to be generated by the meter base surge protector (\$40 one-time fee multiplied by 100 maximum participants = \$4,000) (\$60 annual rental fee for the meter base surge protector multiplied by 100 maximum participants = \$6,000) represents a de minimis amount or impact on KIUC's total revenue requirement. Cf. In re Hawaiian Elec. Co., Inc., Docket No. 04-0274, Decision and Order No. 21518, filed on December 23, 2004 (under the circumstances, since the utility's share of the project costs will have a de minimis effect on ratepayers, if at all, the commission will grant the waiver requested by the utility).

¹⁹Specifically: (1) for Original Sheet No. 114, changing the phrase "Purchase of each 10-outlet power strip" to "Purchase of each multi-outlet power strip;" and (2) for Original Sheet No. 116, amending Paragraph 3 by making it consistent with the language reflected in the manufacturer's limited warranty. See KIUC's responses to PUC-IR-103 and PUC-IR-107.

III.

Orders

THE COMMISSION ORDERS:

1. KIUC's Transmittal No. 06-02, filed on December 20, 2006, proposing to implement a voluntary three-year RSP Pilot Program, is approved, subject to the two revisions noted in this Decision and Order.

2. Unless ordered otherwise by the commission, the RSP Pilot Program shall be in effect from April 1, 2007 to March 31, 2010. KIUC shall promptly file tariff sheets for the RSP Pilot Program, with the applicable issued, effective, and termination dates, and serve copies upon the Consumer Advocate.

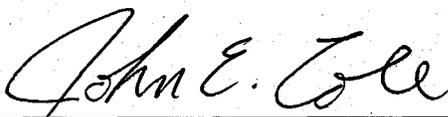
3. As part of the RSP Pilot Program, KIUC shall provide all of its member-customers with the surge protection educational information and other general matters regarding electrical surges and what can be done to protect home appliances and sensitive electronic devices via its monthly magazine and on its website.

4. Upon the filing of the tariff sheets for the RSP Pilot Program by KIUC, and on the effective date of such tariff sheets, this docket shall be closed unless ordered otherwise by the commission.

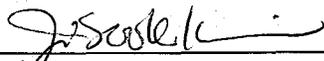
DONE at Honolulu, Hawaii, MAR 23 2007.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

APPROVED AS TO FORM:

for 
Michael Azama
Commission Counsel

2007-0015.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23317 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

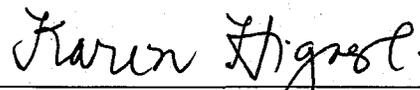
CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P. O. Box 541
Honolulu, HI 96809

RANDALL J. HEE, P.E.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

TIMOTHY BLUME
MICHAEL YAMANE
KAUAI ISLAND UTILITY COOPERATIVE
4463 Pahe'e Street, Suite 1
Lihue, HI 96766-2000

KENT D. MORIHARA, ESQ.
KRIS N. NAKAGAWA, ESQ.
RHONDA L. CHING, ESQ.
MORIHARA LAU & FONG, LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813

Outside Regulatory Counsel for KIUC



Karen Higashi

DATED: MAR 23 2007